

VZCZCXYZ0036  
PP RUEHWEB

DE RUEHGB #1837 1891614  
ZNR UUUUU ZZH  
P 081614Z JUL 09  
FM AMEMBASSY BAGHDAD  
TO RUEHC/SECSTATE WASHDC PRIORITY 3847  
INFO RUCNRAQ/IRAQ COLLECTIVE PRIORITY

UNCLAS BAGHDAD 001837

SIPDIS

PASS TO COMMERCE, ATTN: SUE HAMROCK-MANN

E.O. 12958: N/A  
TAGS: [ECON](#) [EINV](#) [PGOV](#) [ETRD](#)  
SUBJECT: IRAQ'S LATEST QUEST FOR JOINT VENTURES OF STATE  
OWNED ENTERPRISES FALLS SHORT

REF: 09 BAGHDAD 970

11. (SBU) In March 2009, Iraqi Minister of Industry and Minerals (MOIM) Fawzi Hariri announced a third round of Joint Venture (JV) opportunities in Iraq's state owned enterprises (SOE) (Reftel A). When announced, Hariri was optimistic because, he said, it contained a more diverse offering of companies than earlier JV rounds, in which the construction industry was over represented. The 15 SOEs included in the current round represent the construction, engineering, chemical-petroleum, food-drug and textile sectors. MOIM extended the bid response date into June, and the offering was widely advertised in international trade publications and press, never the less, when asked recently, Hariri became noticeably agitated, stating that "only 6 companies have even responded." Hariri intimated that the current round may actually lead to nothing and appeared uncertain about his next action.

COMMENT

-----  
13. (SBU) To date, only two SOE JVs have actually moved into an execution phase with the investor engaging in production in Iraq. Of the two, only one SOE JV remains in operation (Al Qa'im Cement in Anbar province) out of over 50 that have been offered during the past 2 years. The remaining JV agreements remain in various states of negotiation or legal review within the lengthy GOI approval process. With the tepid response to the current bid round, it is evident that MOIM has not yet realized that it will need to offer stronger financial incentives through the terms of their contracts in order to attract greater interest and participation from viable international investors. More generally, the GOI has not recognized how unattractive the very concept of entering into a joint venture is to most serious investors, given that almost all SOEs have a long history of losing money, a business model that will not succeed -- but is deeply entrenched.  
HILL